



SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-87415; File No. 4-753]

Self-Regulatory Organizations; Long-Term Stock Exchange, Inc.; Order Declaring Effective a Minor Rule Violation Plan

October 29, 2019

On August 23, 2019, Long-Term Stock Exchange, Inc. (“LTSE” or the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed minor rule violation plan (“MRVP”) pursuant to Section 19(d)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19d-1(c)(2) thereunder.² The proposed MRVP was published for comment on September 25, 2019.³ The Commission received no comments on the proposal. This order declares the Exchange’s proposed MRVP effective.

In accordance with Rule 19d-1(c)(2) under the Act,⁴ the Exchange proposed to designate certain specified rule violations as minor rule violations, with sanctions not exceeding \$2500. Violations resolved under the MRVP would not be subject to the provisions of Rule 19d-1(c)(1) of the Act,⁵ which requires that a self-regulatory organization (“SRO”) promptly file notice with the Commission of any final disciplinary action taken with respect to any person or

¹ 15 U.S.C. 78s(d)(1).

² 17 CFR 240.19d-1(c)(2).

³ See Securities Exchange Act Release No. 87021 (September 19, 2019), 84 FR 50525 (“Notice”).

⁴ 17 CFR 240.19d-1(c)(2).

⁵ 17 CFR 240.19d-1(c)(1).

organization.⁶ In accordance with Rule 19d-1(c)(2) under the Act,⁷ the Exchange proposed to designate certain specified rule violations as minor rule violations, and requested that it be relieved of the prompt reporting requirements regarding such violations, provided it gives notice of such violations to the Commission on a quarterly basis.

The Exchange proposed to include in its MRVP the procedures included in LTSE Rule 9.216(b) (“Procedure for Violation Under Plan Pursuant to Exchange Act Rule 19d-1(c)(2)”) and violations included in Rule 9.218 (“Violations Appropriate for Disposition Under Plan Pursuant to Exchange Act Rule 19d-1(c)(2)”).⁸ According to the Exchange’s proposed MRVP, the Exchange may impose a fine (not to exceed \$2,500) and/or a censure on any Member or its associated person with respect to any rule listed in LTSE Rule 9.218. If the Financial Industry Regulatory Authority’s (“FINRA”) Department of Enforcement or Department of Market

⁶ The Commission adopted amendments to paragraph (c) of Rule 19d-1 to allow SROs to submit for Commission approval plans for the abbreviated reporting of minor disciplinary infractions. See Securities Exchange Act Release No. 21013 (June 1, 1984), 49 FR 23828 (June 8, 1984). Any disciplinary action taken by an SRO against any person for violation of a rule of the SRO which has been designated as a minor rule violation pursuant to a plan filed with and declared effective by the Commission is not considered “final” for purposes of Section 19(d)(1) of the Act if the sanction imposed consists of a fine not exceeding \$2,500 and the sanctioned person has not sought an adjudication, including a hearing, or otherwise exhausted his administrative remedies.

⁷ 17 CFR 240.19d-1(c)(2).

⁸ The Commission granted the Exchange’s application for registration as a national securities exchange on May 10, 2019, which included the rules that govern the Exchange. See Securities Exchange Act Release No. 85828 (May 10, 2019), 84 FR 21841 (May 15, 2019). Terms not otherwise defined in this Order are defined in the LTSE rules.

Under the proposed MRVP, violations of the following rules would be appropriate for disposition under the MRVP: Rule 2.160(p) (Continuing Education Requirements); Rule 4.511 (General Requirements related to books and records requirements); Rule 4.540 (Furnishing of Records); Rule 5.110 (Supervision); Rule 8.220 (Automated Submission of Trading Data Requested); Rule 11.151(a)(1) (Market Maker Two-sided Quote Obligation); Rule 11.290 (Short Sales); Rule 11.310 (Locking or Crossing Quotations in NMS Stocks); and Rule 11.420 (Order Audit Trail System Requirements). See Notice, supra note 3, at 50526.

Regulation, on behalf of the Exchange, has reason to believe a violation has occurred, and if the Member or its associated person does not dispute the violation, either Department may prepare and request that the Member or associated person execute a minor rule violation plan letter. The letter would describe the act or practice engaged in or omitted, the rule, regulation, or statutory provision violated, and the sanction or sanctions to be imposed. The letter, if accepted, would stipulate that the Member or associated person accepts the finding of violation, consents to the imposition of sanctions, and agrees to waive such Member's or associated person's right to a hearing before a Hearing Panel or, if applicable, an Extended Hearing Panel, and any right of appeal to the LTSE Appeals Committee, the Board, the Commission, and the courts, or to otherwise challenge the validity of the letter. Unless the letter states otherwise, the effective date of any sanction(s) imposed would be a date to be determined by LTSE Regulation staff. In the event the letter is not accepted by the Member or associated person, or is rejected by FINRA's Office of Disciplinary Affairs, the matter can proceed in accordance with the Exchange's disciplinary rules, which include hearing rights for formal disciplinary proceedings.⁹

According to the Exchange, upon the Commission's declaration of effectiveness of the MRVP, the Exchange will provide to the Commission a quarterly report for any actions taken on minor rule violations under the MRVP.¹⁰ The quarterly report will include: the Exchange's internal file number for the case, the name of the individual and/or organization, the nature of the violation, the specific rule provision violated, the sanction imposed, the number of times the rule violation occurred, and the date of the disposition.¹¹

⁹ See Notice, supra note 3, at 50526.

¹⁰ See Id.

¹¹ The Exchange attached a sample form of the quarterly report with its submission to the Commission.

The Exchange requested that the Commission deem any changes to the rules applicable to the Exchange's MRVP to be deemed modifications to the Exchange's MRVP.¹²

The Commission finds that the proposal is consistent with the public interest, the protection of investors, or otherwise in furtherance of the purposes of the Act, as required by Rule 19d-1(c)(2) under the Act,¹³ because the MRVP will permit the Exchange to carry out its oversight and enforcement responsibilities as an SRO more efficiently in cases where formal disciplinary proceedings are not necessary due to the minor nature of the particular violation.

In declaring the Exchange's MRVP effective, the Commission does not minimize the importance of compliance with Exchange rules and all other rules subject to the imposition of sanctions under LTSE Rule 9.216(b). Violation of an SRO's rules, as well as Commission rules, is a serious matter. However, LTSE Rule 9.216(b) provides a reasonable means of addressing violations that do not rise to the level of requiring formal disciplinary proceedings, while providing greater flexibility in handling certain violations. Regarding whether a violation requires formal disciplinary action or whether a sanction under the MRVP is appropriate, the Commission expects the Exchange to continue to conduct surveillance and make determinations based on its findings on a case-by-case basis.

IT IS THEREFORE ORDERED, pursuant to Rule 19d-1(c)(2) under the Act,¹⁴ that the proposed MRVP for Long-Term Stock Exchange, Inc, File No. 4-753 be, and hereby is, declared effective.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁵

¹² See Notice, supra note 3, at 50526.

¹³ 17 CFR 240.19d-1(c)(2).

¹⁴ Id.

Jill M. Peterson,
Assistant Secretary.

¹⁵ 17 CFR 200.30-3(a)(44).

